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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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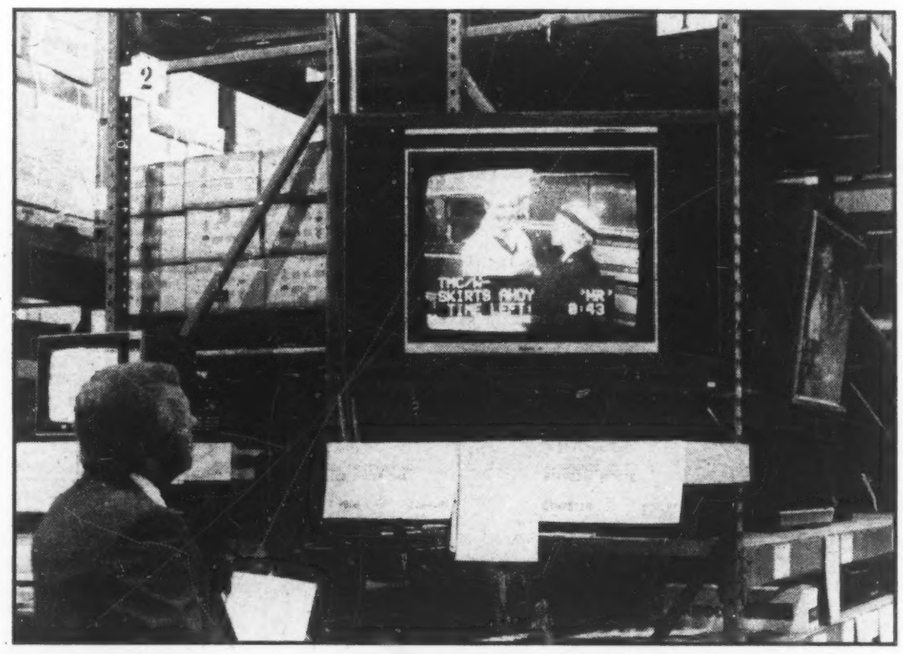

Large screen TV attracts attention at Costco's new membership warehouse club in Palm Harbor, Fla. The Seattle-based firm is focusing more heavily on business customers. (DSN photo)

New Costco Card Policy Shuns Casual Shoppers

By Peter Hisey

PALM HARBOR, Fla. — Costco, the Seattle-based wholesale club chain, opened its 40th store here with an industry innovation—general public memberships which cost more to buy than their business memberships.

Group members, who used to have an option between a free membership, which allowed them to buy at 5 percent above the wholesale cost, and an expensive "gold card" which allowed them to buy at the same cost as business members, will no longer have a choice of memberships. They will now pay $30 for a yearly membership, versus $25 for business members, and existing free memberships will not be renewed when they expire.

In return, consumers will be able to buy at the same prices as business members. The public normally pays a 5 percent surcharge for merchandise at wholesale clubs.

"We've been phasing out the old group memberships since last fall," said Costco president Jim Sinegal, "and all new openings offer only the [$30 group] gold card." The gold card allows group members to buy at the same price as wholesale customers.

Industrywide, group members have traditionally received cards for free or for a relatively minor investment of $10 or $15 for a lifetime mem-

(Continued on page 38)

Walton Announces Stock Split; Sees Sales Topping $19 Billion

FAYETTEVILLE, Ark. — Wearing a baseball-style Wal-Mart cap, founder and chairman Sam Walton told about 6,000 stockholders, attending the company's annual meeting June 5, that revenues might hit $19 billion or even $20 billion in fiscal 1989.

Wal-Mart also outlined growth plans for its new hypermarket division which will operate Hypermart USA units and smaller Wal-Mart Super Center stores this year.

Walton led applause and gave pep talks throughout the two-hour meeting that was held in the basketball arena of the University of Arkansas, a few miles from company headquarters in Bentonville.

During the meeting, Wal-Mart announced a two-for-one stock split, which came a day after its stock hit a new high of $62.75 a share. Stockholders approved an increase in the number of authorized shares to accommodate the split, to be paid July 10 to shareholders of record as of June 19.

Department of Transportation secretary Elizabeth Dole appeared at the meeting and lauded Walton as "an entrepreneur of heroic stature," from whom the federal gov-

(Continued on page 37)

Chairman Sam Walton (standing) leads rousing annual meeting at which he predicted Wal-Mart sales would top $19 billion next year. Seated at right is David Glass, president and ceo.

Eyes $1 Billion in Sales from Show

HSN Turns On TV Shopping Game

By Arthur Markowitz

CLEARWATER, Fla. — The Home Shopping Network this week launched The Home Shopping Game show on about 70 broadcast TV stations as the teleshopper's latest video marketing diversification.

HSN executives have forecast the daily half-hour taped program will produce $800 million to $1 billion in sales during its first full year of operation.

In September, HSN is scheduled to start the Home Shopping Overnight Service on broadcast TV stations in the early morning time period, generally between midnight and 7 a.m., when commercial stations usually don't air any programs.

This show in a full year of operation could generate as much as three percent of HSN's sales, a source said. President Lowell Paxson has projected total company sales (from teleshopping, financial services and direct marketing operations) this year at between $650 million and $700 million (compared to sales of $160.2 million in HSN's start-

(Continued on page 13)

CD Restructures; Will Expand U.S. Division

REXDALE, Ontario — Consumers Distributing (Canada) is looking for "a good business manager" to head up its United States division as well as carry out a major new marketing program to revitalize the 89-store chain.

Henri Roy

Maurice Tousson

Fred Delsey

CD (Canada)'s search for a president for its U.S. operation is part of the parent company's restructuring into three distinct businesses—a Canadian catalog operation, a Canadian toy specialty store chain and the U.S. division.

Concurrent with CD (Canada)'s reorganization, Michael Haberman resigned as that company's president and chief operating officer. Chairman and chief executive officer Henri A. Roy has assumed the post of president.

Roy continues as an executive vice president of Provigo, a Montreal-based food distributor that owns about a 46 percent voting interest in the cataloger and controls the company.

As part of the restructuring, CD (Canada) executive vp Maurice Tousson was also named president of the Canadian catalog division, while Fred Delsey was promoted to president

(Continued on page 37)

New Crazy Eddie Bidder Plans Extensive Revamp

By Josephine Fiamingo

EDISON, N.J. — Crazy Eddie, the consumer electronics retailer based here, announced that a special committee of outside directors will consider and evaluate a new bid to acquire the 36-store chain by a Texas-based firm.

The committee of outside directors was formed last month when Eddie Antar, the company's founder, and a company controlled by the Belzberg family of Canada proposed to buy the East Coast CE chain for $7 per share.

On June 1, Entertainment Marketing, a Houston-based diversified teleretailer and electronics wholesaler that is currently expanding its teleshopping coverage (see story, page 3), offered to buy Crazy Eddie for $8 per share.

Antar, because of his ties to the chain he created, should

(Continued on page 37)

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udy Shows
s Prices Rise

Lawn & Garden Supplement

MARKETWATCH

K mart to Provide Mortgage Loans

TROY, Mich. — K mart, the giant discounter headquartered here, continues to expand its financial services offerings. Its latest move is an agreement with Primamerica Corp.'s Berg Enterprises Inc. division to provide home mortgage lending services at six Denver-based stores. Shoppers fill out a financial information questionnaire which is then analyzed by a computer to determine the type and size mortgage loan for which the customer is qualified.

Zayre Will Accept Joint Discover Card

FRAMINGHAM, Mass. — Zayre has signed an agreement to accept the Discover Card, a revolving-credit card owned by Sears/Dean Witter. Zayre will accept the card at all of its subsidiaries except BJs Wholesale Clubs, which doesn't accept any credit cards. Zayre chairman Malcolm Sherman noted that the Discover Card has "demonstrated consumer acceptance." According to Discover, its card "provides consumers with a revolving line of credit, a savings account paying money market interest rates, and a Cashback Bonus each time the card is used."

Jamesway Sets Sights on $700M Sales

SECAUCUS, N.J.— Jamesway Corp. is targeting sales for the current fiscal year ending Jan. 30, 1988, at a record $700 million, Herbert Fisher, chairman, said at the retailer's recent annual meeting. Last fiscal year's sales were a record $612 million. Fisher also said the company would open a total of 15 stores this year, the largest number of openings ever for the company. In 1988, Jamesway is scheduled to add another 15 units. The company also said that shareholders approved an amendment to the restated certificate of incorporation, increasing the company's authorized number of common shares to 30 million from 20 million.

Sears Buys Specialty Eye Care Centers

CHICAGO — Sears has made the first move in its recently announced strategy of acquiring new specialty retailers. The company announced plans to acquire San Antonio-based Eye Care Centers of America, which operates a 41-store chain of "optical superstores" under the names Eye Pro Express, 20/20 Eyecare and Eye Masters, mainly in the Southwest. Under the agreement, which must be ratified by Eye Care Center stockholders, current ceo Jack Gunion will continue in his post and report to Sears specialty merchandising president Alfred Goldstein.

Tower Cancels Its Fall Housewares Show

ATLANTIC CITY, N.J. — Tower Conference Management has canceled its Fall Housewares Show scheduled for Sept. 27 to 30 here. The absence of Tower Conference which, like The Interface Group, had pursued the housewares show opportunity that was created after the National Housewares Manufacturers Association's initial decision to switch to a single show format—establishes HouseWorld Expo and the NHMA show as the sole contendors for the trade show audience.

Woolworth to Test New 'Express' stores

NEW YORK — F.W. Woolworth Co., based here, will soon begin testing a new, smaller store, to be called Woolworth Express. Woolworth officials would provide no further information at presstime, but sources indicate the test will be somewhere in the New England area and that a number of Woolworth Express units could be in operation before the end of the year. The new store is expected to carry a more focused selection of lines already found at current Woolworth stores, with an emphasis on hard lines.

FOR THE RECORD

Maxway Corp. is based in Sanford, N.C. An article in *DSN's* May 25 issue incorrectly identified the headquarters city as Sanford, Ga.

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Trintex Interactive Videotex Service Will Feature Magazine-Type Format

By Arthur Markowitz

WHITE PLAINS, N.Y. — Trintex has begun to lift the curtain on its long-awaited computer videotex service that has been touted as ushering in a new era in direct marketing and home shopping.

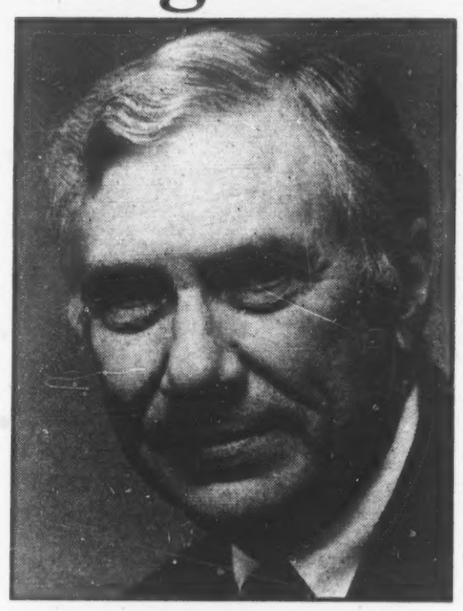
Trintex's technology uses a computer and telephone to provide consumers with interactive videotex in a magazine-type format that bundles at-home shopping and services like banking and travel reservations with news updates, financial reports, health and fitness features and entertainment like games, puzzles, cartoons and movie reviews.

Trintex can function only on IBM, IBM-compatibles, Apple and other high-powered computers with 512K capability that are tied into a 1200 baud modem. Trade observers question the current size of this specific market and the number of consumers willing to purchase this equipment.

Harry E. Smith, Trintex vice president, product and commercial development, who presented "peeks" at the service in three separate presentations, asserted, "Trintex will establish the home once and for all as the shopping center without peer. For many categories of merchandise, we think it will become the shopping medium of choice."

He added: "Trintex lets you buy what you want when you want to buy it; it's very personal, focused and totally user controlled."

Trintex is a four-year-old joint venture of IBM and Sears involving 500 people that has already cost the partners an estimated $450 million. IBM views the service as helping to transform home computers into everyday utilitarian devices. Sears' involvement reflects the retailer's interest in all forms of marketing, particularly cutting edge technologies like computers and teleshopping.



Harry E. Smith, vp, supplied 'peeks' at new Trintex service.

Trintex's charges will be modeled on magazines, "which are supported by both subscribers and advertisers."

Smith said shoppers will be charged a low monthly fee.

Advertisers, in turn, will be charged a flat fee for actual sales to shoppers, not for consumers browsing through a listing. "We can measure actual responses, measure those who see the ads and track orders; our prices will be charges for actual value."

Smith said that due to Trintex's interactive videotex technology, direct marketing merchants and manufacturers—rather than traditional store retailers—would be the first users of the service when it's launched in early 1988.

(Continued on page 38)

Simple, Interactive Steps Facilitate Use of Trintex

WHITE PLAINS, N.Y. — Here's how Trintex will work:

Consumers first have to sign up for the videotex service, providing demographic information—which will be kept confidential and used just by Trintex—and receiving a specific diskette for their computer and the 800 phone number for their area.

After logging on the system, the viewer can either peruse Trintex's editorial matter or go shopping by accessing a merchant's advertising or a consumer service.

A screen of editorial matter will have a short ad at the bottom that often relates to the subject, such as a fitness update with a retailer's ad for exercise equipment.

Viewers can continue to peruse the editorial matter—which encompasses a majority of the screen—and never access ads before signing off, or, attracted by the ad, they can access that company's specific full-screen message.

Viewers can also go shopping through various gateways: call up a company by name, key in a broad merchan-

(Continued on page 38)

DSN 25th ANNIVERSARY TRIVIA QUIZ

As part of its 25th anniversary, DSN *is offering a $100 prize to the person who correctly answers the most questions. Please type your answers, along with your name, address and telephone number, on standard letterhead, and mail to: Quiz Editor—6/22,* Discount Store News, *425 Park Ave., New York, N.Y. 10022. Winners will be announced in a future issue. Answers to questions below appear somewhere else in this issue.*

25 Years Ago This Week:

Like, Way Out Daddy-O: Discounters were "heavy in bongo records . . . and polkas" but light in classical music, according to a *DSN* roundup.

Gee Mr. Science III: Montreal discounter Mon-Mart installed a moving sidewalk to carry customers from the parking lot to the shopping floor. Total distance covered: 70 feet, roughly the distance from first to second base in softball.

1. What retailer broke into discounting with its first soon-to-be household name store, in Columbus, Ohio?
a) W.T. Grant, with DisKay;
b) Kresge, with K mart;
c) Woolworth, with Woolco.

20 Years Ago This Week:

Curse You, Mary Quant: Along with the Vietnam War, miniskirts took heat from discounters for contributing to soft 1967 sales. "Too far out," one executive intoned.

Back to the '50s: Hula Hoops were making a comeback, with Zayre's eight Miami stores stocking 20,000 of the sophist cated exercise devices.

2. Nichols Discount City was the first discounter to eliminate this formerly "indispensable" CE department service.
a) Audio Listening Rooms;
b) TV Viewing Rooms;
c) Air Guitar Rooms.

10 Years Ago This Week:

Where Else?: Alexander's received a free banner headline on the front page of a New York daily newspaper reading "Alexander's springs into summer • pages 16 to 23" as a freebie for buying an 8-page advertising spread. The paper was the *New York Post.*

3. Buyers in what area were the industry's best paid at an average of $33,280?
a) Dresses;
b) Hardware;
c) Men's Wear.

5 Years Ago This Week:

Disc-Ounting: Buyers complained that demand for Kodak's new disc camera far outstripped supply.

4. The closing of what chain caused "upheaval" in Southern California discounting?
a)FedMart;
b)Gemco;
c)White Front.

1 Year Ago This Week:

You Stick to Selling; We'll Do the Writing. O.K.? K mart went national with its magazine, *American Lifestyles.*

5. What warehouse club violated an unwritten rule by adopting an "open door" policy for group members?
a) American Wholesale;
b) Saveco;
c) Price Club..

Home Products

NHMA Study Shows Flat Sales; Prices to Climb

CHICAGO — Despite nearly flat sales indicative of a maturing industry, many housewares manufacturers reported they expect to raise prices this year, according to the National Housewares Manufacturers Association's annual study of the housewares industry.

On average, prices are expected to rise by 6.5 percent in 1987, with the largest percentage of suppliers, 20 percent, anticipating increases at the 5 percent level, according to the study conducted by B. Angell & Associates for the NHMA. Price increases averaged 6.1 percent in 1986, when about a third of manufacturers reported higher prices. More than half of those surveyed expect price increases in 1987.

Declining Dollar is a Factor

Forty-four percent of respondents to the survey cited the declining dollar as a factor in the rising prices of their goods. The cost of materials, overhead, labor, inflation and, to a lesser extent, higher freight costs were also mentioned as contributing factors to the decision to raise prices.

Overall, housewares industry sales were up 1.9 percent to $23.6 billion last year, a figure below 1984's volume level. In real dollars—subtracting the impact of a 1.1 percent inflation rate—sales grew by only 0.8 percent. About $20.5 billion of the total industry sales were through retail outlets last year, according to the survey by the Chicago-based research firm.

The higher manufacturers' prices may be offset somewhat by suppliers' growing tendency to sell directly to retailers. Nearly nine out of 10 vendors in the survey said they sold directly to retailers rather than through distributors. In contrast, 20 years ago, more than half of the total housewares business was handled by wholesalers.

Discounters and mass merchandisers, among the retailers fueling this direct-sell trend, continue to command the major share of the housewares marketplace. The mass merchandisers' share rose 3 percentage points last year to 35 percent of industry business—broadening the gap between that retail channel and all others.

Retail housewares sales by mass merchandisers grew to $7.2 billion last year, up from $6.1 billion in 1985.

In specific product categories, mass merchandisers were dominant. These outlets generated 41 percent of furniture dollars, 62 percent of plasticware and 47 percent of outdoor products, according to the survey.

Catalog showrooms returned to their historic third place ranking under department stores due to a drop of 5 percentage points in market share and an accompanying 1 percentage point gain by department stores. Department stores garnered 11 percent of all retail housewares business, while catalogers captured 7 percent of that total. In dollars, department stores generated $2.3 billion from housewares categories, up from $1.9 billion the previous year. Catalog showrooms' volume fell from $2.3 billion in 1985 to $1.4 billion last year.

Housewares/hardware stores rang up 5 percent of the business, while drug stores and variety stores each registered 4 percent market share figures. Home centers were next with a 3 percent share of the market.

Membership warehouse clubs were listed for the first time among retail outlets tracked by the housewares association. These units garnered 2 percent of retail housewares business for a total of about $410 million.

While overall sales have not skyrocketed for manufacturers, the percentage of the business handled by larger companies continues to rise. Manufacturers doing over $5 million worth of business increased their share of the total to nearly 40 percent, from about 12 percent in 1966. In contrast, companies under $1 million have seen their share of the market decline from about 45 percent in 1966 to less than 25 percent last year.

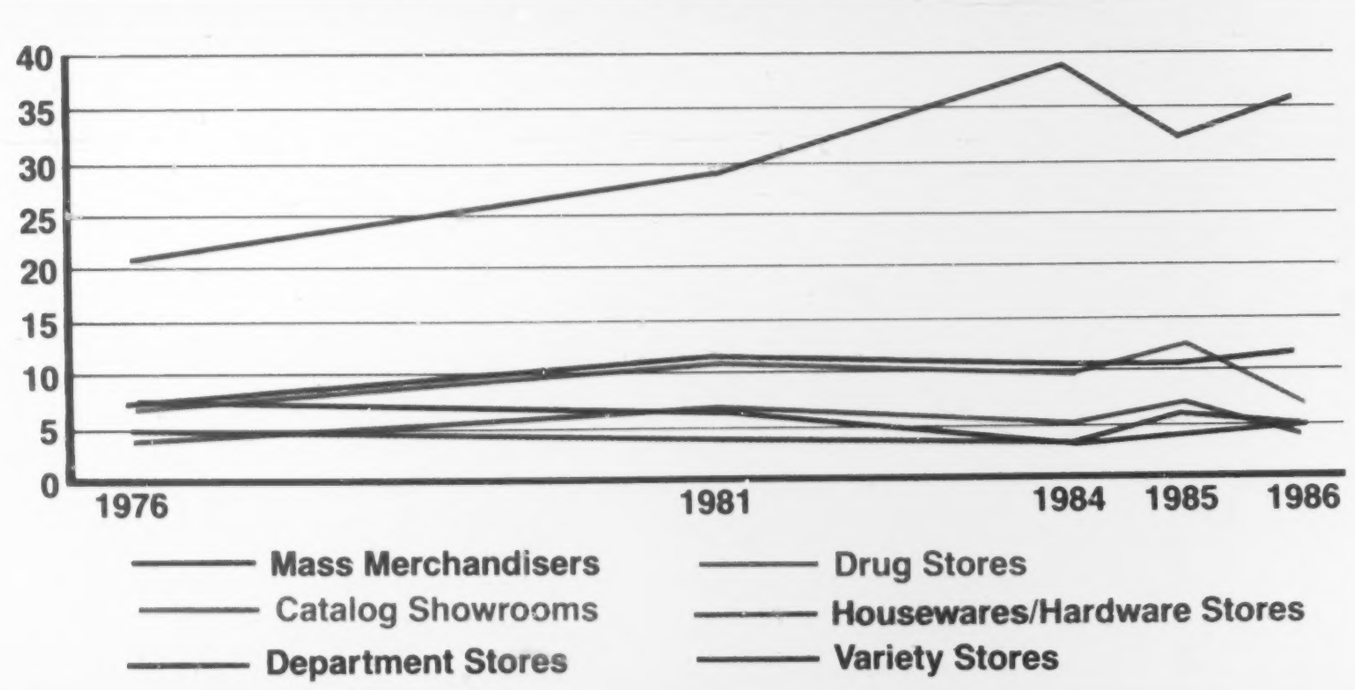
In colors, white, blue, pastel and mauve were the top sellers in 1986 in both the decorative accessories and bath accessories categories. White and blue were tops in kitchen accessories and serving/buffet accessories while white dominated the color preferences in kitchen appliances, closet and outdoor accessories.

Looking at the future color trends that will drive sales in this industry, manufacturers see white losing popularity in most areas. While white continued to be the leading color in every category by a large margin in 1986, it is not expected to sell as well next year, according to manufacturers. For example, white's popularity is expected to decline from 26 percent of sales to 20 percent next year in decorative accessories and from 64 percent to 54 percent in closet accessories.

In general, the report cites pastels, mauve and

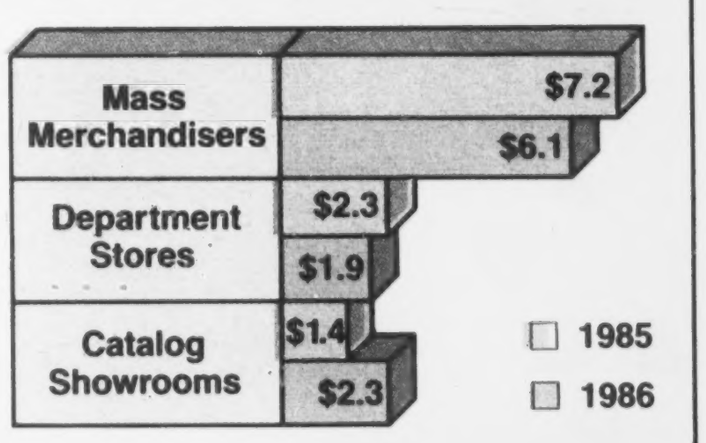
(Continued on page 21)

Mass Merchandisers' Share of Housewares Sales Continues to Grow
Percent of Total Retail Housewares Dollar Sales



Source: NHMA, 1987

Dollar Volume of Housewares Sales Through Retail Outlets
(In Billions)



Source: NHMA, 1987

MARKETWATCH

MINNEAPOLIS — **Best Buy Company,** the 24-unit consumer electronics retailer based here, is building a new $9 million, 450,000-square-foot warehouse distribution center and service facility in suburban Bloomington. The facility, which is expected to be operational by August, will occupy 10 acres on a 30-acre plot. "We will now have warehouse capacity sufficient to supply up to 80 superstores and will be able to process in one day the number of products it presently takes a week to process," said Richard Schulze, president. The chain plans to build 16 new superstores this year which includes 10 superstores in the state of Missouri. The warehouse features complete environmental control, 24-foot to 30-foot ceilings, 48 dock doors with energy seals, a rail car siding and an automatic product distribution carousel used to divide shipments to individual stores. Currently, the chain's warehouse, distribution and service functions are handled out of its corporate headquarters in Bloomington.

* * *

CITY OF COMMERCE, Calif. — **The Federated Group,** the $430 million CE chain based here, has handed its $20 million-plus advertising account to Pearlman/Wohl/Olshever/Marchese. "Our surveys have indicated that a very large constituency of consumers enjoy, love and are loyal to the tongue-in-cheek good humor of Shadoe Stevens, our spokesman for the last five years. Shadoe Stevens will continue to participate in Federated's ongoing campaigns," said Wilfred Schwartz, chairman and ceo. "Our strategy for our current five-year growth plan calls for a new approach tailored to the interests of a broader market." The company will continue to purchase media through Focus Media Inc. Schwartz said the 65-store CE retailer hopes to create a "singular, compelling image in our advertising, store design, merchandising and pricing."

* * *

WASHINGTON — April sales of camcorders to dealers increased 103 percent to 107,000 units from the 53,000 sold during April 1986, according to the **Electronic Industries Association/Consumer Electronics Group.** Camcorder sales are running more than 50 percent ahead of last year's pace for the first four months of this year, and EIA/CEG predicts that a total of 1.6 million camcorders will be sold during the full calendar year. Color televisions also experienced strong April sales, rising 14 percent to 1.3 million units. The industry is selling color television sets this year at an average rate of 48,000 per day, the association said. On the other hand, black and white televisions, projection TVs and VCRs all registered declines in April sales. Monochrome TV sales slipped nearly 27 percent while projection television sales dropped 18 percent. VCR sales decreased fractionally in April, but continue to run slightly ahead of last year's pace.

Housewares Manufacturers Expect Price Increases in 1987

(Continued from page 19)
slate blue as colors that have increased their mentions from 1985. And these colors are expected to improve even further in 1987.

Pastels are expected to improve from 17 percent of sales to 20 percent next year in decorative accessories, and from 11 percent to 15 percent in bath accessories. Mauve will increase from 11 percent to 14 percent in decorative accessories, and from 5 percent to 10 percent in bath accessories. Blue will experience a rise from 17 percent to 20 percent in decorative accessories; from 13 percent to 18 percent in kitchen accessories; from 14 percent to 17 percent in outdoor products and accessories; and from 10 percent to 14 percent in serving/buffet products and accessories.

The association's study also takes note of demographic changes that have affected the housewares industry, such as:

- The coming of age of the baby boomer generation, resulting in the creation of new households.
- Smaller household sizes, with growth in one-person households.
- More employed females, especially married working women. Women with children are now more likely to be working than staying at home.
- The aging population suggests a move away from youth and a shift to the concerns of the older population.
- Income shifts resulting from the rise of two-income households and increase in one-person, one-income households. These trends, which the report predicted will continue at least through the end of this century, will shrink the middle class.

These trends indicate housewares manufacturers will have to consider the needs of such diverse groups as one-person households, older consumers and working mothers.

1986/87 Housewares Color Preferences by Product Category

Bath Accessories

	Most Popular 1986	Expected for 1987
White	42%	38%
Blue	25	19
Pastel	11	15
Mauve	5	10
Rose	5	7
Peach	5	5
Pink	5	4
Almond	5	2
Slate Blue	2	4

Closet Accessories

	Most Popular 1986	Expected for 1987
White	64%	54%
Pastel	11	13
Blue	8	10
Pink	6	3
Peach	5	6
Gray	5	5
Slate Blue	2	9

Kitchen Appliances

	Most Popular 1986	Expected for 1987
White	68%	68%
Almond	25	19
Black	6	6
Beige	6	5
Gray	3	7

Serving/Buffet Products & Accessories

	Most Popular 1986	Expected for 1987
White	50%	43%
Blue	10	14
Red	9	6
Wood Tones	7	4
Metallic	6	5
Pastel	5	8
Black	5	5
Beige	5	3
Yellow	5	3
Mauve	3	8
Slate Blue	2	6
Gray	2	6

Source: NHMA, 1987

America, get reading.
Read a poem aloud each night before dinner. Read to your kids.
Make all your gifts books.
Subscribe to a magazine you've always wanted. Read the book before you see the movie.
Make sure everyone in your family has a library card.
Make sure they use it.
Experience the power and pleasure of reading.

Use America's libraries.

American Library Association

Sluggish Sales in Texas Contribute To FedGroup's Income Loss for '86

CITY OF COMMERCE, Calif.— Poor sales in oil-dependent Texas contributed to a $5.23 million net income loss for The Federated Group in fiscal 1986.

Unlike some other retailers, the West Coast-based consumer electronics chain said it is not pulling out of Texas, where it runs some 20 CE superstores. Wilfred Schwartz, chairman of the board for the company, told *DSN*, "We have made the decision to continue our operations in Texas."

The company's extensive expansion plan—which took it from 15 stores four years ago to its current 65—"has cost us profitability," according to Schwartz. However, he said the company is not retreating in its effort to make a substantial stand in the CE market.

Schwartz said Federated has "managed to tailor our operations" in Texas, through staff reductions and the closing of some smaller stores.

Federated Group said it has enlisted the financial help of Goldman, Sachs & Co., while also restructuring its $48 million credit line.

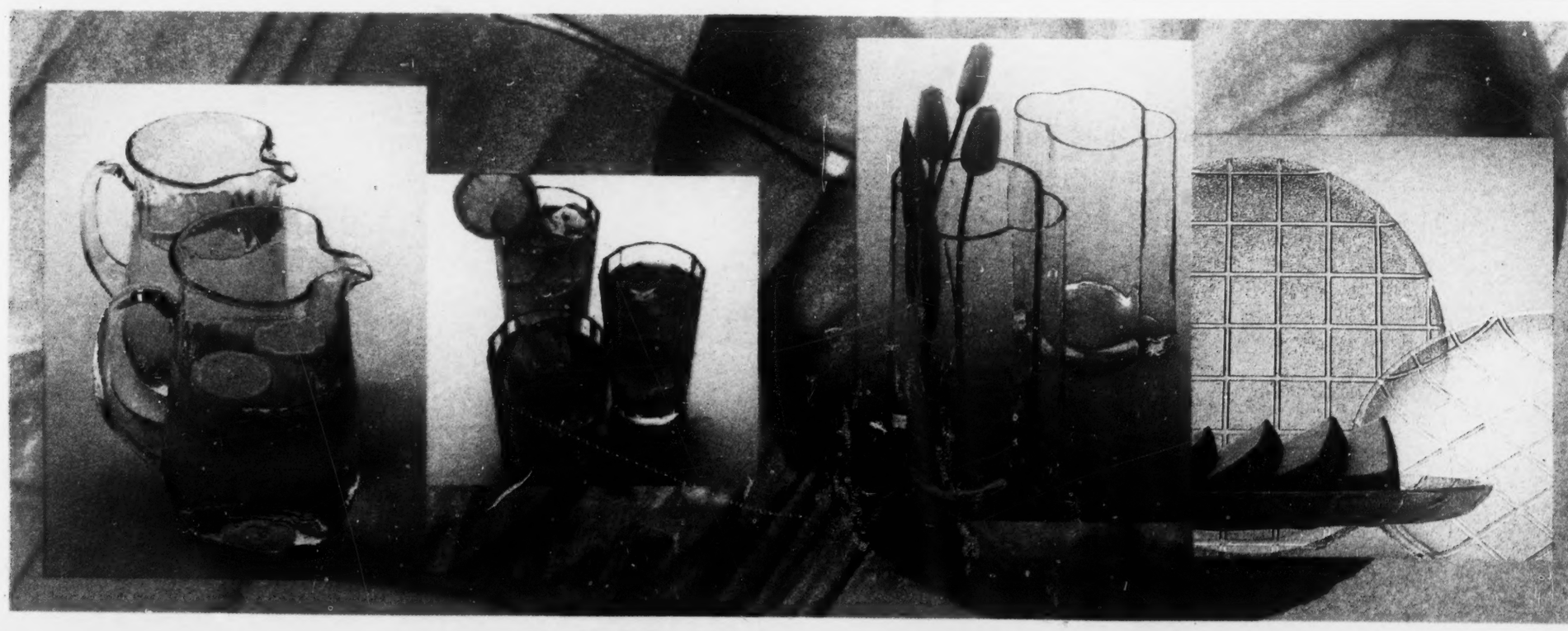
The company's loss for the year ended March 1 followed a net earnings gain of $10.7 million on sales of $364 million the previous year. The company did post 1986 sales of $430 million, and benefited from an $864,000 after tax gain resulting from a change in inventory costing methods.

Results for the recent fourth quarter showed a net income loss of $6.04 million on sales of $136 million, compared to a net income gain of $2.42 million on sales of $123 million for the same period during 1986.

Looking ahead, Schwartz said, "Overall, we expect to achieve a moderate level of profitability in the current year, which together with positive cash flow from operations, will establish a sound base for further growth in the future."

To get in on the hottest new growth category, call 1-800-331-6060 ext.138.

SCHLAGE.



LIQUID ASSETS.

For a guaranteed return on your investment, count on our National Housewares' Profiles™ assortment of beverage and serveware. The eye-catching yellow accented packaging used throughout the Profiles line ensures the kind of visual impact that leads to frequent add-on sales. The Profiles assortment—the new force in volume glass sales.

NATIONAL HOUSEWARES
A TOWLE® COMPANY

LAWN & GARDEN SUPPLEMENT

Hard Lines

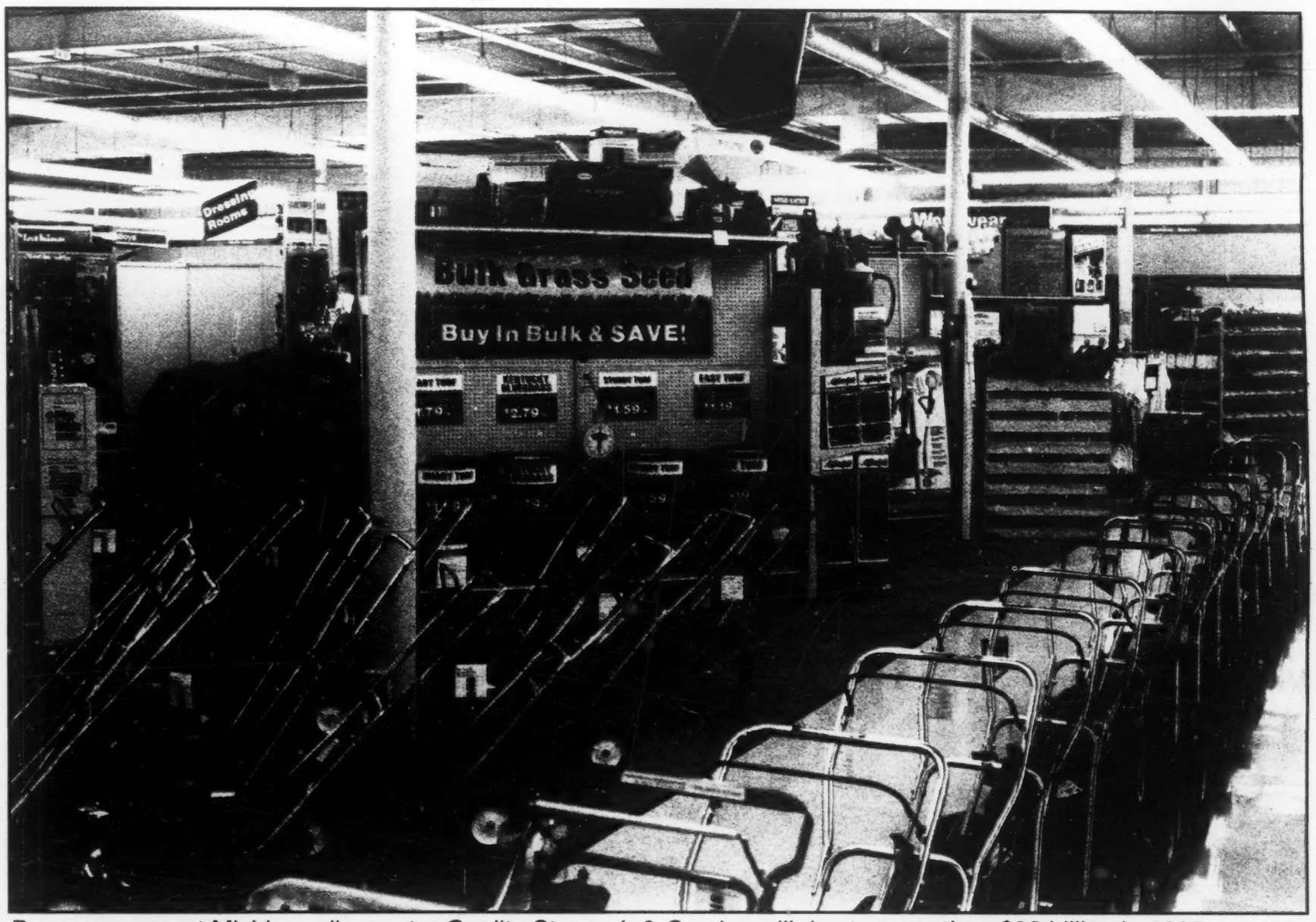
Discounters Rake In Larger Share of L & G Biz

By Richard C. Halverson
Nationwide DSN Report

Sales of lawn & garden products, including outdoor power equipment, lawn furniture and outdoor grills, will grow 10 percent to 15 percent in 1987 from the 1986 total of $29.9 billion, predicted Chuck Greenridge, president of Greenridge & Associates, Evergreen, Colo., an L & G industry consultant.

Moreover, the discounter share of the market is creeping up from its traditional one-third of total L & G, Greenridge said, and should peak at 40 percent over the next 10 years.

In other positive news for retailers of L & G products, trends in consumer purchasing, such as the popularity of ready-to-use formulations and larger sizes in green goods, are resulting in better margins. And, the nation's population is experiencing a surge in the number of consumers in the 30-year-old to 49-year-old bracket, the big-spender segment of L & G consumers that accounts for 44 percent of sales.



Power mowers at Michigan discounter Quality Stores: L & G sales will rise to more than $33 billion in 1987. (DSN photo)

Discounters Impact In L & G

Indicating the growing importance of discounters in L & G, the K mart label in garden chemicals is now the second largest seller in the country, trailing only Ortho, Greenridge said.

According to Greenridge, some major L & G consumer trends that will impact discounters include:

- Gardeners are opting for smaller sized gardens, but increasingly they want larger sizes of nursery stock and expect to see a broader selection of varieties;
- They are dragging their feet on pre-season purchases and instead wait until the weather breaks and plant or apply products the same day they buy;
- Although the gardening season is starting later, it is extending later, sometimes until after Labor Day or even Oct. 1;
- Gardeners are willing to pay more for ready-to-use formulations, such as liquid fertilizers, over dry fertilizers, and for convenience packaging, such as liquid lawn fertilizer that is available in a spray applicator that screws onto a hose nozzle.

The implications for discounters are obvious, Greenridge said: They should pay attention to smaller and more convenient packaging, consider carrying a broader assortment of green goods, including larger sizes, and keep L & G departments open until at least after Labor Day, instead of breaking them down in July (as some discounters do).

Sales of green goods at retail will total $8 billion in 1987, Greenridge estimated, which compares to the $7.5 billion in 1986.

Margins on green goods are the highest of any segment of L & G, and retailers can squeeze 5 percent to 20 percent higher margins if they capitalize on the trend of gardeners to size up to, for example, a 10-foot tall tree from a 3-foot tall tree, Greenridge said.

Turns are, of course, essential in perishable green goods. However, proper promotion, display and assortment can ensure that stock moves promptly, Greenridge said.

The success of green goods determines the success of the rest of the L & G department, he emphasized.

The results from early, pre-season sales have fallen dramatically, Greenridge said. The days when one supplier like Scott could drive the market with promotions and advertising are gone, he said. "Customers now wait until the weather breaks and the bugs start biting before they buy. Then they go home and plant the same day."

In addition, "Ready to use formulations, although not the cheapest, are here to stay," Greenridge said. Retailers enjoy better margins on what essentially are "watered down" products, he stressed.

Lawn furniture represents an important growth category, Greenridge said, predicting a 12 percent to 16 percent gain over the 1986 total of $2.2 billion.

Bruce Butterfield, research director of the National Gardening Association, Burlington, Vt., said retailers also stand to benefit from a population bulge in the key 30-year-old to 49-year-old bracket.

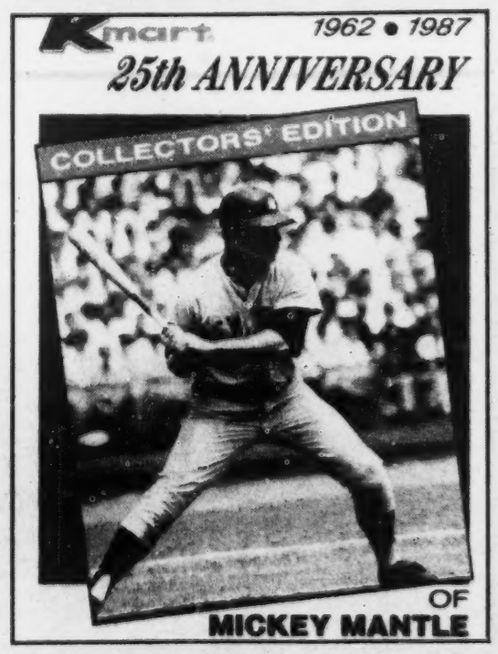
The first baby boomers turn 40 next year, and those in that age bracket are in their prime home acquisition years, Butterfield said, and account for almost half of all L & G sales. Those age 50 and older account for 33 percent of sales, he added, while those 18 to 29 account for the balance of 23 percent of sales.

"Customers in that age bracket are better educated and more affluent," Butterfield said. "They expect value for the price," he emphasized.

"Lawn and garden can be a very profitable, seasonal department," he said, "but quality has to be there." He added that the green goods can be ev-

(Continued on page 25)

MARKETWATCH



TROY, Mich. — **K mart** is seeing stars on its silver anniversary. The nation's No. 1 discounter has continued its 25th Anniversary celebration with the release of a "Stars of the Decades" baseball card set which features prominent baseball players from the last 25 years. Divided equally into stars of the '60s, '70s and '80s, the 33-card set features such luminaries as Hank Aaron, Mickey Mantle, Dwight Gooden, Wade Boggs, Willie Mays, Reggie Jackson and Dale Murphy. According to K mart, about 900,000 of the sets, which sell for $1.97 each in all K mart stores, were printed. The company expects to sell out the card sets by the end of the summer. A company spokesman said that the company has no plans to reissue the set, or to print a second series, "at this time." Steve Ellingboe, editor of Sports Collector's Digest, a well-known weekly hobby publication, commented that while the set was selling for "$4 or $5" within the hobby, there was little or no speculation on the sets. Apparently collectors hoarded a previous K mart set that was "burned when a second printing was issued. Sets were going for as little as 10 cents," Ellingboe said. The set is printed by Topps, the leading producer of sports cards in the country. The set is but one of "at least a dozen" special sets released by various retailers throughout the country. Other retailers selling the sets include F.W. Woolworth and McCrory's.

WAREHAM, Mass. — **Tons of Toys** has signed leases for new toy supermarkets in Milford, Watertown and Webster, Mass., which will bring its chainwide total to nine stores. The company also announced that it is negotiating for three additional store sites in Auburn, Me., Concord, N.H., and Marlboro, Mass. Within two years, Tons of Toys expects to be operating 15 toy supermarkets in New England, selling brand name toys, wheel goods, juvenile products and baby needs products. The chain, which operates in Massachusetts and Rhode Island, is using capital from an initial public offering in May to fund the expansion, said chairman and president Bruno R. Ferretti.

Chain Refocuses on Hard Lines to Thrive in Farm States

(Continued from page 3)

years, Hilt said. He said he is "very pleased with the continued increase in profitability of the company" following the 1986 repositioning. Without releasing any details, Hilt said "margins are stronger and expenses are reduced."

Because of the reduction in product lines, sales fell to $148.8 million in 1986, Hilt said. *DSN* estimated Quality's sales at about $160 million in its 1985 annual report on the discount store industry.

James Davis, director of marketing, predicted, however, that in 1987 sales will gain 8 percent to $157 million, with same store sales increasing 6.5 percent. He said that sales per square foot last year averaged $186 in Quality's Michigan, Indiana and Ohio markets.

Quality's Operations

Quality Stores operates 39 full-line stores and three smaller, experimental units, called Nothin' Fancy stores. Full-line stores range from 14,000 square feet to 30,000 square feet, with an average of 24,000 square feet, while the Nothin' Fancy units are about 10,000 square feet.

The chain opened one full-line store this spring in Walker, Mich., a suburb of Grand Rapids, and a downsized unit in Bluffton, Ind. It expects to open another of each type by the end of the year but hasn't yet settled on locations. A 235,000-square-foot distribution center in Findlay, Ohio supplies the three-state operation.

Hilt describes the Nothin' Fancy test units as hard lines convenience stores, geared toward the male do-it-yourselfer. They carry no apparel, consumables, sporting goods or toys.

All growth will be financed through internal profits and controlled debt, Hilt said. His chain's debt-equity ratio is "good and improving," Hilt said. "We have no plans at all to go public."

In addition, Quality is installing a new $2 million IBM point-of-sale system that will permit stores to look up promotion prices, eliminating the need to re-price promotional goods, approve credit online and communicate with headquarters on such matters as the status of shipments. Hooked to the chain's mainframe IBM computers, the interactive POS system is expected to go online this September, starting with Quality's flagship store in Muskegon which is near the company headquarters.

To support its new thrust, last year Quality Stores began a $1 million, 30-second spot television campaign in seven major markets, including Grand Rapids, Dayton and South Bend, Ind. In addition to the campaign, the company airs a series of 60-second radio spots and puts out two to four circulars a month, totaling 1.6 million inserts a year.

The chain conducts 8,000 exit interviews every six months to stay in tune with its customers. The tag line on both broadcast and print advertising and in-store signs is, "You Work Too Hard to Pay too Much."

Along with price and quality, service is an important part of the value Quality Stores offers, he said. "Our employees really do care," said Hilt, whose retired father and uncle founded the company and remain on its board of directors.

Helpful Store Managers

Visits to three Quality Stores show that even store managers drop everything to help customers find what they're looking for and explain how to use it.

Product knowledge is an important factor in merit raises, said Ken Vugteveen, a senior salesperson at the store in Hudsonville, where the chain got its start in a 4,000-square-foot converted service station

Hilt noted that the stores take special orders for agricultural products (such as plow shares and rake teeth), as well as automotive products (such as exhaust pipes and mufflers) and major overhauling of power lawn mowers.

To improve relations between vendors and sales staff, Quality Stores this month is putting on a product and information show that will bring 1,000 of its salespeople in touch with 170 vendors over two days. The chain's own audio visual studio produces more than 50 videotapes a year for training 1,400 employees.

Customer surveys show that male customers outnumber females two-to-one, Hilt said, compared to perhaps a one-to-one ratio at K mart. "The male customer expects different service."

David Bliss, Quality president, said the "real strength of the organization revolves around its service orientation." The chain's C.A.R.E. program (Customers Always Require Excellence) is "an integral part of the company," Bliss said.

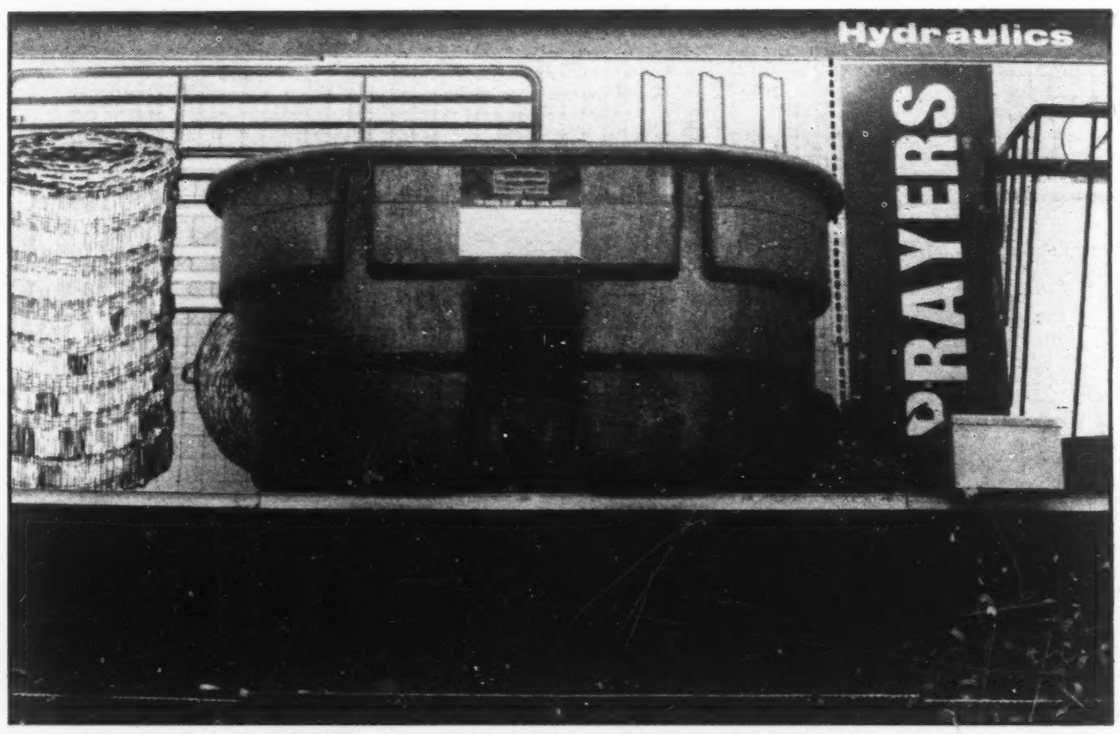
The C.A.R.E. plan requires employees to pledge to: "greet all customers; offer assistance; know my store; keep a clean store; never say no; and always say thank you."

Quality Stores has just wrapped up a two-month-long series of events to celebrate its 25th anniversary, marketing director Davis said.

These included sweepstakes at each store offering $25 gift certificates as prizes and community events that individual stores sponsored, such as a pig roast at the Walker store, the latest to open, to benefit the local chapter of Future Farmers of America.

In another promotion, Quality ordered 50,000 25th anniversary baseball-style caps, Davis said, and is offering them for sale at $2.99 each. For each Quality Store cap sold, the chain will donate $1 to one of four organizations the customer may chose: 4-H, FFA, the American Cancer Society or the American Heart Association, Davis said.

Farm and home fencing is one of the most popular farm department lines at Quality Farm & Fleet, Hudsonville, Mich., where the chain began. (DSN photos)



Rubbermaid at Quality Farm & Fleet, Hudsonville, Mich., means this 100-gal. stock watering tank, $79.95, displayed above bins of farm implement parts.

Lawn and Garden Retail Sales: 1983-1986
(In Millions)

Category	1983	1984	1985	1986
Lawn Care	3,604	4,347	3,898	4,317
Landscaping	1,678	2,171	2,125	2,176
Flower Gardening	1,383	1,702	1,259	1,519
Vegetable Gardening	1,042	1,123	950	1,363
Insect Control	720	975	653	992
Tree Care	844	832	795	845
Indoor Houseplants	749	833	706	826
Shrub Care	748	981	699	659
Flower Bulbs	318	380	275	431
Fruit Trees	381	454	271	382
Container Gardening	*	*	*	310
Raising Transplants	146	197	208	131
Ornamental Gardening	199	270	146	166
Growing Berries	113	89	41	50
Herb Gardening	*	*	*	39
Totals	11,925	14,243	12,026	14,206

*New Category, previous years unavailable

Source: 1986-87 National Gardening Survey, National Gardening Association

Discounters Rake In Larger Portion of L&G Business

(Continued from page 23)

ery bit as good as those that independent nurseries offer.

Butterfield recently released his association's 1986-87 survey that shows that gardening remains America's most popular outdoor activity. Conducted by the Gallup organization, the survey found that 69 million households, or 78 percent, participated in some form of gardening last year.

Americans spent $14.2 billion for gardening products in 1986 (excluding outdoor power equipment, lawn furniture and barbeque grills), an 18 percent increase over $12 billion in 1985. The largest category was lawn care; $4.3 billion (see chart). The complete report is available from the association at 180 Flynn Ave., Burlington, Vt. 05401.

Butterfield declined to project 1987 sales because projections of these types of products usually prove to be inaccurate.

For outdoor power equipment, Wharton (formerly Chase) Econometrics, Bala Cynwyd, Pa., projected continued strong shipments in the 1987 model year ending Aug. 31. In a March 1987 update for the Outdoor Power Equipment Institute, Wharton predicted: a 2.1 percent gain in walk-behind shipments this year; a 6.4 percent increase in front engine mowers; a 1 percent to 2 percent gain in garden tractors and rear engine mowers; and a 2 percent dip in rotary tillers, compared to the 14 percent slump in 1986.

Looking ahead to 1988, Wharton expects shipments to weaken slightly but still remain close to 1986 levels. It projects shipments of close to 5.4 million walk-behind mowers; more than 1 million riding units; and 280,000 to 300,000 rotary tillers.